招银国际
CMB INTERNATIONAL
招商银行全资附属机构
A Wholly Owned Subsidiary Of China Merchants Bank

iQIYI (IQ US)

Inline 1Q26 results; solid progress on new growth engines

BUY (Maintain)

Target Price	**US$1.58**
(Previous TP	US$1.80)
Up/Downside	**39.8%**
Current Price	**US$1.13**

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iQiyi reported 1Q26 results: total revenue declined by 13% YoY and 8% QoQ to RMB6.23bn, in line with Bloomberg consensus and our estimate; non-GAAP net loss was RMB234mn, down from net income of RMB308mn in 1Q25 due to operating deleverage, in line with consensus/our estimate. Looking into 2Q26E, we expect total revenue to recover by 2% QoQ to RMB6.35bn, primarily driven by the sequential growth of online advertising and content distribution revenue. We slightly trim our FY26-FY28 total revenue forecast by 1-2% in view of the relatively slow recovery of membership business. We lower our target price to US$1.58 based on 0.40x FY26E PS (previously US$1.80 based on 0.45x FY26E PS). That said, we expect its business fundamentals and valuation to gradually recover, as its new growth initiatives bear fruit in mid-to-long term (e.g. AI, overseas and IP-related businesses). Maintain BUY.

- **Expect QoQ revenue recovery in 2Q26E.** By segment in 1Q26: 1) membership services revenue declined by 5% YoY, but grew by 2% QoQ to RMB4.20bn primarily thanks to strong viewership performance of *Pursuit of Jade (逐玉)* and *How Dare You (成何体统)*; 2) online advertising revenue decreased by 7% YoY and 8% QoQ to RMB1.24bn, mainly due to seasonality and lack of popular variety shows; 3) content distribution revenue dropped by 43% YoY and 54% QoQ to RMB359mn, as iQiyi adjusted its content distribution strategy with less content distributed to other channels; 4) others revenue declined by 49% YoY and 22% QoQ to RMB427mn. For 2Q26E, we estimate total revenue to decrease by 4% YoY but recover by 2% QoQ to RMB6.35bn, with membership/online advertising revenue down by 0%/2% YoY respectively.

- **Solid progress on new growth engines.** iQiyi continued to make progress on new growth initiatives. 1) Overseas membership revenue was up by over 40% YoY in 1Q26, supported by iQiyi's differentiated offerings of premium Asian content. The company also expanded into new markets like the Middle East and Latin America, in addition to Southeast Asia. 2) IP-based consumer products delivered solid performance in 1Q26, driven by the strong sales of collectible cards of hit titles like *Pursuit of Jade.* 3) NaDou Pro, iQiyi's AI-powered content production platform, has attracted over 10,000 active creators since its launch in Apr. The platform saw rapidly growing token consumption, which can create monetization opportunities in the long term, in our view.

- **Leveraging AI to improve efficiency.** iQiyi gross margin declined by 8.8ppt YoY and 4.9ppt QoQ to 15.9% in 1Q26, mainly due to content investment and operating deleverage. Non-GAAP operating margin also dropped by 8.8ppt YoY to -2.4% in 1Q26. The company leveraged AI to improve its own content production efficiency, launching over 3,000 AI-generated micro dramas in 1Q26. Besides, we expect the enhanced content production and review efficiency to gradually improve iQiyi's profitability and cash flow generation.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	29,225	27,291	25,891	26,669	27,714
Adjusted net profit (RMB mn)	1,512.2	280.6	(38.1)	777.8	1,240.7
EPS (Adjusted) (RMB)	1.57	0.29	(0.04)	0.81	1.29
Consensus EPS (RMB)	1.57	0.29	0.28	0.78	1.43
P/S (x)	0.3	0.3	0.3	0.3	0.3

Source: Company data, Bloomberg, CMBIGM estimates

Stock Data

Mkt Cap (US$ mn)	1,090.7
Avg 3 mths t/o (US$ mn)	6.9
52w High/Low (US$)	2.79/1.11
Total Issued Shares (mn)	965.2

Source: FactSet

Shareholding Structure

Baidu	45.1%
PAG	12.2%

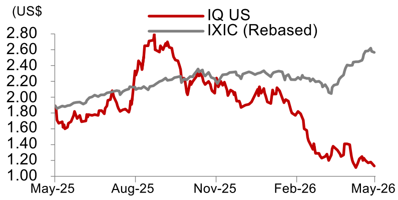
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-19.9%	-24.8%
3-mth	-36.2%	-44.5%
6-mth	-49.6%	-56.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: iQiyi: forecast revision

RMBbn	Current FY26E	FY27E	FY28E	Previous FY26E	FY27E	FY28E	Change (%) FY26E	FY27E	FY28E
Revenue	25.9	26.7	27.7	26.2	27.2	28.3	-1.4%	-2.1%	-2.1%
Gross profit	4.8	5.7	6.3	5.3	6.0	6.5	-8.3%	-5.6%	-2.9%
Operating profit	0.1	0.9	1.5	0.3	1.0	1.4	-63.4%	-6.4%	2.7%
Non-GAAP net profit	(0.0)	0.8	1.2	0.2	0.9	1.2	NA	-8.7%	-0.3%
Non-GAAP EPS (RMB)	(0.0)	0.8	1.3	0.2	0.9	1.3	NA	-8.8%	-0.4%
Gross margin	18.6%	21.3%	22.9%	20.1%	22.2%	23.1%	-1.4 ppt	-0.8 ppt	-0.2 ppt
Operating margin	0.4%	3.4%	5.3%	1.2%	3.6%	5.0%	-0.8 ppt	-0.2 ppt	0.2 ppt
Non-GAAP net margin	-0.1%	2.9%	4.5%	0.8%	3.1%	4.4%	-1.0 ppt	-0.2 ppt	0.1 ppt

Source: CMBIGM estimates

Figure 2: iQiyi: CMBIGM estimates vs consensus

RMBbn	CMBIGM FY26E	FY27E	FY28E	Consensus FY26E	FY27E	FY28E	Diff (%) FY26E	FY27E	FY28E
Revenue	25.9	26.7	27.7	26.2	27.2	28.4	-1.2%	-2.1%	-2.4%
Gross profit	4.8	5.7	6.3	5.4	6.1	6.7	-11.0%	-6.3%	-5.7%
Operating profit	0.1	0.9	1.5	0.3	0.8	1.4	-60.3%	8.7%	2.2%
Non-GAAP net profit	(0.0)	0.8	1.2	0.3	0.8	1.3	NA	-5.8%	-4.0%
Non-GAAP EPS (RMB)	(0.0)	0.8	1.3	0.3	0.8	1.4	NA	3.3%	-9.8%
Gross margin	18.6%	21.3%	22.9%	20.7%	22.3%	23.7%	-2.1 ppt	-1.0 ppt	-0.8 ppt
Operating margin	0.4%	3.4%	5.3%	1.1%	3.1%	5.0%	-0.7 ppt	0.3 ppt	0.2 ppt
Non-GAAP net margin	-0.1%	2.9%	4.5%	1.0%	3.0%	4.6%	-1.2 ppt	-0.1 ppt	-0.1 ppt

Source: CMBIGM estimates, Bloomberg

Valuation

We value iQiyi at US$1.58 per share, based on 0.4x FY26E PS. Our target PS multiple is at a discount to the sector average (4x), due to the intense competition in China's video streaming sector.

Figure 3: iQiyi: target valuation

P/S valuation	
2026E Sales per ADS (CNY)	26.8
Target 2026E PS (x)	0.40
Target Price (CNY)	10.73
Target Price (US$)	1.58

Source: Company data, CMBIGM estimates
Note: CNY/USD = 6.8

Figure 4: Global streaming platforms

Companies	Ticker	Price (LC)	PE (x) 2026E	PE (x) 2027E	PS (x) 2026E	PS (x) 2027E	EPS CAGR 25-27E
Netflix Inc	NFLX US	87.0	24.6	22.6	7.1	6.4	13%
Disney	DIS US	102.7	15.1	13.8	1.7	1.7	6%
Spotify	SPOT US	436.9	29.1	23.8	4.0	3.5	13%
TME	TME US	8.5	8.9	8.1	2.5	2.3	10%
Average			**19.4**	**17.1**	**3.8**	**3.5**	

Source: Bloomberg, CMBIGM
Note: data as of 15 May

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Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**32,018**	**29,225**	**27,291**	**25,891**	**26,669**	**27,714**
Cost of goods sold	(23,102)	(21,954)	(21,542)	(21,063)	(20,977)	(21,374)
Gross profit	**8,916**	**7,272**	**5,749**	**4,828**	**5,692**	**6,340**
Operating expenses	**(5,781)**	**(5,460)**	**(5,520)**	**(4,712)**	**(4,774)**	**(4,878)**
SG&A expense	(4,014)	(3,682)	(3,857)	(3,188)	(3,231)	(3,274)
R&D expense	(1,767)	(1,778)	(1,663)	(1,524)	(1,543)	(1,603)
Operating profit	**3,135**	**1,811**	**229**	**116**	**918**	**1,463**
Share of (losses)/profits of associates/JV	(51)	18	(4)	(4)	(4)	(4)
EBIT	**3,084**	**1,829**	**225**	**112**	**914**	**1,458**
Interest income	257	272	334	334	334	334
Interest expense	(1,130)	(1,062)	(910)	(793)	(764)	(764)
Foreign exchange gain/loss	(105)	(97)	246	0	0	0
Other income/expense	73	(90)	45	0	0	0
Pre-tax profit	**2,178**	**852**	**(60)**	**(347)**	**484**	**1,029**
Income tax	(80)	(61)	(145)	(26)	(73)	(154)
After tax profit	**2,098**	**791**	**(204)**	**(373)**	**412**	**874**
Minority interest	27	27	2	1	0	0
Net profit	**2,071**	**764**	**(206)**	**(374)**	**412**	**874**
Adjusted net profit	**2,984**	**1,512**	**281**	**(38)**	**778**	**1,241**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**12,635**	**9,527**	**10,290**	**11,224**	**12,184**	**13,471**
Cash & equivalents	4,435	3,530	4,354	4,582	5,374	6,443
Restricted cash	6	0	23	23	23	23
Account receivables	2,169	2,191	2,523	2,165	2,157	2,166
Prepayment	2,794	2,193	2,406	2,283	2,351	2,444
Other current assets	3,231	1,613	984	2,171	2,279	2,396
Non-current assets	**31,959**	**36,233**	**36,391**	**39,989**	**39,868**	**40,213**
PP&E	864	878	903	1,393	1,413	1,445
Right-of-use assets	684	610	490	490	490	490
Deferred income tax	0	24	21	21	21	21
Investment in JVs & assos	2,261	2,108	1,773	1,773	1,773	1,773
Intangibles	310	290	217	1,268	1,396	1,532
Goodwill	3,821	3,821	3,821	3,276	3,276	3,276
Other non-current assets	24,020	28,503	29,166	31,769	31,499	31,676
Total assets	**44,594**	**45,761**	**46,682**	**51,213**	**52,052**	**53,685**
Current liabilities	**22,342**	**21,477**	**22,067**	**21,374**	**21,441**	**21,839**
Short-term borrowings	3,572	3,787	2,493	2,493	2,493	2,493
Account payables	5,671	6,482	6,652	6,421	6,395	6,516
Other current liabilities	10,129	8,053	10,075	9,779	9,883	10,111
Lease liabilities	101	97	84	84	84	84
Accrued expenses	2,869	3,058	2,762	2,597	2,586	2,635
Non-current liabilities	**10,068**	**10,909**	**11,306**	**11,306**	**11,306**	**11,306**
Long-term borrowings	98	1,037	3,369	3,369	3,369	3,369
Convertible bonds	8,144	8,351	6,712	6,712	6,712	6,712
Other non-current liabilities	1,826	1,522	1,225	1,225	1,225	1,225
Total liabilities	**32,409**	**32,387**	**33,373**	**32,680**	**32,747**	**33,145**
Share capital	0	0	0	0	0	0
Capital surplus	54,971	55,624	56,026	60,895	61,255	61,615
Retained earnings	(44,573)	(43,809)	(44,016)	(44,896)	(44,485)	(43,610)
Other reserves	1,688	1,551	1,306	2,543	2,543	2,543
Total shareholders equity	**12,087**	**13,365**	**13,316**	**18,541**	**19,313**	**20,548**
Minority interest	98	8	(8)	(8)	(8)	(8)
Total equity and liabilities	**44,594**	**45,761**	**46,682**	**51,213**	**52,052**	**53,685**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**2,178**	**852**	**(60)**	**(347)**	**484**	**1,029**
Depreciation & amortization	14,091	13,625	13,264	17,532	16,636	15,945
Tax paid	(80)	(61)	(145)	(26)	(73)	(154)
Change in working capital	(13,358)	(12,359)	(13,053)	(13,645)	(12,479)	(11,902)
Others	666	53	99	894	360	360
Net cash from operations	**3,497**	**2,110**	**106**	**4,408**	**4,929**	**5,278**
Investing						
Capital expenditure	(105)	(173)	(125)	(391)	(403)	(419)
Others	(1,635)	(2,272)	(203)	(3,791)	(3,734)	(3,790)
Net cash from investing	**(1,740)**	**(2,445)**	**(327)**	**(4,182)**	**(4,137)**	**(4,209)**
Financing						
Net borrowings	9,049	4,953	5,077	0	0	0
Others	(13,334)	(6,323)	(4,013)	1	0	0
Net cash from financing	**(4,285)**	**(1,370)**	**1,064**	**1**	**0**	**0**
Net change in cash						
Cash at the beginning of the year	7,098	4,435	3,530	4,354	4,582	5,374
Exchange difference	92	15	(55)	0	0	0
Others	(228)	785	37	0	0	0
Cash at the end of the year	**4,435**	**3,530**	**4,354**	**4,582**	**5,374**	**6,443**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	10.4%	(8.7%)	(6.6%)	(5.1%)	3.0%	3.9%
Gross profit	33.5%	(18.4%)	(20.9%)	(16.0%)	17.9%	11.4%
Operating profit	138.9%	(42.2%)	(87.3%)	(49.4%)	691.5%	59.3%
EBIT	180.6%	(40.7%)	(87.7%)	(50.4%)	718.6%	59.6%
Net profit	na	(63.1%)	na	na	na	112.4%
Adj. net profit	132.4%	(49.3%)	(81.4%)	na	na	59.5%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	27.8%	24.9%	21.1%	18.6%	21.3%	22.9%
Operating margin	9.8%	6.2%	0.8%	0.4%	3.4%	5.3%
Adj. net profit margin	9.3%	5.2%	1.0%	(0.1%)	2.9%	4.5%
Return on equity (ROE)	22.6%	6.0%	(1.5%)	(2.3%)	2.2%	4.4%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.1)	0.1	0.1	0.1	0.0	(0.0)
Current ratio (x)	0.6	0.4	0.5	0.5	0.6	0.6
Receivable turnover days	24.7	27.4	33.7	30.5	29.5	28.5
Payable turnover days	89.6	107.8	112.7	111.3	111.3	111.3

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	3.5	9.7	ns	ns	18.0	8.5
P/E (diluted)	3.6	9.8	ns	ns	18.0	8.5
P/B	0.6	0.6	0.6	0.4	0.4	0.4

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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